

FRANCES BAARD DISTRICT MUNICIPALITY



[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the annual financial statements presented to the council:

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FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

General information

Country of origin and legal form	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)		
Jurisdiction	The Frances Baard Municipality includes the following areas: Sol Plaatjie Phokwane Dikgatlong Magareng		
Nature of business	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)		
Capacity of district authority	Medium capacity		
Municipal demarcation code	DC9		
Management structure	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.		
Municipal manager	Ms. ZM Bogatsu		
Chief financial officer	Vacant		
Other heads of departments	Director: Administration Director: Planning & Development Director: Infrastructure Services	Mrs. KG Gaborone Vacant Vacant	
Registered office	51 Drakensberg Avenue Carters Glen Kimberley		
Legal representative	Mr. K Matlakala		
External auditors	Auditor-General of South Africa Private Bag X5013 Kimberley		
Internal auditors	The Internal Audit section was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.		
Members of the audit committee	Mr. T Mogoli Mr. T Mudamburi Mr. G Botha	Chairperson Member Member	

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

General information

Principal banker	ABSA ABSA Business Centre Po Box 323 Bloemfontein 9300	
Relevant legislation	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
Executive Mayor	Mr P Marekwa	Proportional
Speaker	Ms U Buda	Sol Plaatje Municipality
Mayoral Committee	Mr M Mokgatlhanyane Ms C Mothibi Ms M Mathe Ms M Motsamai Ms BV Ximba	Proportional Proportional Proportional Proportional Proportional
MPAC Chairperson	Ms D Bishop	Sol Plaatje Municipality
Part Time Councillors	Vacant Mr M Kaars Ms D Benjamin Mr P Louw Ms A Siwisa Ms A Moremong Mr J Musie Ms D Setholo Mr B Springbok Ms KM Sebego Ms L Duba Ms M Beylefeld Mr S Griqua Mr S N Kika Ms LN Shushu Mr D M Macinga Ms M A Mahutie Ms H Morometse Mr K Zalisa	Proportional Proportional Proportional Proportional Proportional Phokwane Municipality Phokwane Municipality Proportional Proportional Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Dikgatlong Dikgatlong Phokwane Municipality Magareng

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2019 which are set out on pages 1 to 73 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2019.

The annual financial statements set out on pages 1 to 73, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on her behalf by:



Ms. ZM Bogatsu
Municipal Manager

31-Aug-19
Date

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	Actual	
		2019	2018
		R	R
ASSETS			
Current Assets		85,528,195	63,815,868
Inventories	2	362,518	341,561
Receivables from Exchange Transactions	3	4,102,735	1,866,368
VAT Receivable	4	1,926,871	3,663,078
Investments	5	6,700,000	6,050,000
Cash and Cash Equivalents	6	71,567,162	51,071,805
Operating Lease Receivables	7	909	4,056
Current Portion of Long-term Receivables	8	868,000	819,000
Non-Current Assets		64,318,666	58,161,177
Property, Plant and Equipment	9	55,681,551	49,389,895
Intangible Assets	10	412,698	579,865
Heritage Assets	11	631,417	631,417
Long-term Receivables	12	7,593,000	7,560,000
Total Assets		149,846,861	121,977,045
LIABILITIES			
Current Liabilities		18,289,751	17,701,777
Consumer Deposits	13	345	570
Provisions	14	9,514,535	8,490,003
Payables from Exchange Transactions	15	8,682,557	6,549,125
Unspent Conditional Grants and Receipts	16	92,314	206,662
Current Portion of Long-term Liabilities	17	-	2,455,416
Non-Current Liabilities		31,003,964	28,489,808
Long-term Liabilities	17	-	-
Employee Benefit Liabilities	18	30,895,963	28,380,898
Non-current Provisions	19	108,000	108,910
Total Liabilities		49,293,715	46,191,585
Total Assets and Liabilities		100,553,146	75,785,460
NET ASSETS		100,553,146	75,785,460
Reserves	20	27,468,475	27,732,436
Accumulated Surplus / (Deficit)	21	73,084,672	48,053,024

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

		Actual	
	Note	2019	2018
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	22	125,713,389	117,698,568
Revenue from Exchange Transactions			
Sales of Goods and Rendering of Services	23	74,620	285,736
Rental from Fixed Assets	24	857,756	1,003,158
Interest Received	25	6,728,692	5,830,289
Total Revenue		133,374,458	124,817,752
EXPENDITURE			
Employee Related Costs	26	61,650,082	57,917,444
Remuneration of Councillors	27	6,699,719	6,566,732
Depreciation and Amortisation	28	3,003,017	3,877,476
Impairment Losses	29	-	88,121
Interest Paid	30	203,899	451,109
Contracted Services	31	18,158,186	12,504,137
Inventory Consumed	32	1,245,543	1,454,790
Transfers and Subsidies Paid	33	7,305,733	24,795,809
Operational Costs	34	10,273,300	9,858,846
Loss on Disposal of Property, Plant and Equipment	35	67,292	29,393
Total Expenditure		108,606,771	117,543,857
SURPLUS / (DEFICIT) FOR THE YEAR		24,767,687	7,273,895
Refer to Budget Statement for explanation of budget variances			

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital Replacement Reserve	Revaluation Reserve	Total Funds & Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
2018	R	R	R	R	R
Balance at 30 June 2017	7,957,082	20,039,314	27,996,397	40,430,960	68,427,356
Change in Accounting Policy (Note N/A)	-	-	-	-	-
Correction of Error (Note N/A)	-	-	-	84,208	84,208
Restated Balance	7,957,082	20,039,314	27,996,397	40,515,168	68,511,565
Surplus / (Deficit) for the year	-	-	-	7,273,895	7,273,895
Other Transfers to/from Accumulated Surplus	-	-	-	-	-
Transfers to/from Accumulated Surplus	-	(263,961)	(263,961)	-	(263,961)
Transfers to/from Reserves	-	-	-	-	-
Depreciation Offsets	-	-	-	263,961	263,961
Balance at 30 June 2018	7,957,082	19,775,353	27,732,436	48,053,024	75,785,460
2019					
Change in Accounting Policy (Note N/A)	-	-	-	-	-
Correction of Error (Note N/A)	-	-	-	-	-
Restated Balance	7,957,082	19,775,353	27,732,436	48,053,024	75,785,460
Surplus / (Deficit) for the year	-	-	-	24,767,687	24,767,687
Other Transfers to/from Accumulated Surplus	-	-	-	-	-
Transfers to/from Accumulated Surplus	-	(263,961)	(263,961)	-	(263,961)
Transfers to/from Reserves	-	-	-	-	-
Depreciation Offsets	-	-	-	263,961	263,961
Balance at 30 June 2019	7,957,082	19,511,393	27,468,475	73,084,672	100,553,147

Details on the movement of the Funds and Reserves are set out in Note 20 and Note 21.

FRANCES BAARD DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

		Actual	
	Note	2019 R	2018 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		125,599,041	117,433,532
External Interest and Dividends Received		6,728,692	5,830,289
Other Receipts		-	501,823
VAT Receivable / Payable		1,736,207	-
Payments			
Employee Related Costs		(58,269,285)	(59,339,805)
Remuneration of Councillors		(6,699,719)	(6,566,732)
External Interest and Dividends Paid		(203,899)	(451,109)
Suppliers Paid		(17,338,304)	(20,501,058)
Other Payments		(18,675,162)	(34,654,655)
VAT Receivable / Payable		-	(300,486)
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>32,877,572</u>	<u>1,951,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(9,194,801)	(3,716,156)
Purchase of Intangible Assets	10	-	(149,000)
Proceeds on Disposal of Property, Plant and Equipment	35	2	33,142
Decrease / (Increase) in Current Investments	5	(650,000)	4,400,000
Decrease / (Increase) in Long-term Receivables	12	(82,000)	554,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(9,926,799)</u>	<u>1,226,092</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	17	(2,455,416)	(2,208,206)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(2,455,416)</u>	<u>(2,208,206)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>20,495,357</u>	<u>969,686</u>
Cash and Cash Equivalents at Beginning of Period		51,071,805	50,102,119
Cash and Cash Equivalents at End of Period	6	71,567,162	51,071,805

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Actual > Budget	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL POSITION										
Current Assets										
Inventories	330,000	11,561	341,561	-	337,673	362,518	-	24,845	107%	110%
Receivables from Exchange Transactions	2,000,000	3,550,465	5,550,465	-	5,135,490	4,102,735	-	(1,032,755)	80%	205%
VAT Receivable	-	-	-	-	-	1,926,871	-	1,926,871	0%	0%
Cash and Cash Equivalents	41,400,980	12,880,000	54,280,980	-	27,188,180	71,567,162	-	44,378,982	263%	173%
Operating Lease Receivables	-	-	-	-	-	909	-	909	0%	0%
Current Portion of Long-term Receivables	820,000	-	820,000	-	819,001	868,000	-	48,999	106%	106%
Non-Current Assets										
Property, Plant and Equipment	56,356,881	(7,059,838)	49,297,043	-	49,297,043	55,681,551	-	6,384,508	113%	99%
Intangible Assets	706,954	(127,089)	579,865	-	597,004	412,698	-	(184,306)	69%	58%
Heritage Assets	631,417	-	631,417	-	631,417	631,417	-	(0)	100%	100%
Long-term Receivables	8,000,000	(440,000)	7,560,000	-	8,745,417	7,593,000	-	(1,152,417)	87%	95%
Total Assets	110,246,232	8,815,099	119,061,331	-	92,751,225	149,846,861	-	57,095,637	162%	136%
Current Liabilities										
Consumer Deposits	-	-	-	-	570	345	-	(225)	61%	0%
Provisions	8,490,003	3,509,997	12,000,000	-	6,772,751	9,514,535	-	2,741,784	140%	112%
Payables from Exchange Transactions	12,757,000	(5,984,249)	6,772,751	-	8,490,003	8,682,557	-	192,554	102%	68%
Unspent Conditional Grants and Receipts	-	-	-	-	-	92,314	-	92,314	0%	0%
Non-Current Liabilities										
Long-term Liabilities	-	-	-	-	-	-	-	-	0%	0%
Employee Benefit Liabilities	-	-	-	-	-	30,895,963	-	30,895,963	0%	0%
Non-current Provisions	32,000,000	(3,510,192)	28,489,808	-	29,700,999	109,000	-	(29,592,999)	0%	0%
Total Liabilities	53,247,003	(5,984,444)	47,262,559	-	44,964,323	49,293,715	-	4,329,392	110%	93%
Total Assets and Liabilities	56,999,229	14,799,543	71,798,772	-	47,786,902	100,553,146	-	52,766,245	210%	176%
Net Assets (Equity)										
Reserves	22,175,760	5,556,675	27,732,435	-	23,080,419	27,468,475	-	4,388,056	119%	124%
Accumulated Surplus / (Deficit)	31,313,472	16,631,258	47,944,730	-	11,963,463	73,084,672	-	61,121,209	611%	233%
Total Net Assets	53,489,232	22,187,933	75,677,165	-	35,043,882	100,553,146	-	65,509,264	287%	188%

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Receivables from Exchange Transactions:

The budget is underspent as the adjustment budget includes the VAT receivable of R3 663 078.

VAT Receivable:

There is a variance in the budget as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions of R3 663 078. No provision is made on the budget template to separate VAT receivables. Cash and Cash Equivalents:

The variance is due to an improvement in cash flow which result from increased investments and lower spending as a result of cost containment measures implemented. A decision was taken during the preparation of the 2018/19 budget to decrease transfers made to local municipalities in order for the district to build up its cash reserves during the current year.

Operating Lease Receivables:

Operating lease receivables forms part of Exchange receivables as the budget template does not make provision for a split in the receivables, which causes a misalignment between the AFS template and the budget template.

Current Portion of Long-term Receivables:

Due to the actuarial valuation performed at the end of the year, the increase in the current portion of long-term receivables was more than anticipated.

Property, Plant and Equipment:

There was a deviation on PPE is a result of capital projects being more than anticipated and the deviation on the depreciation as a result of the delay in the building project. There was a decrease in the adjustment budget as the municipality expected to spend less on the capital projects as at the date of the adjustment budget.

Intangible Assets:

The variance is due to savings on capital spending and none procurement on other capital items that did not materialise.

Long-term Receivables:

Due to the actuarial valuation performed at the end of the year, the variation in the long-term receivables was less than anticipated.

Consumer Deposits:

No provision is made on the NT budget template for consumer deposits, it has therefore been included in payables budget, which leads to the variance on the budget statement as stated above.

Provisions:

Due to the actuarial valuation performed at the end of the year, the variation in the provisions was more than anticipated.

Unspent Conditional Grants and Receipts:

The municipality anticipated that it would spend all its grant allocations, however due to the late allocation of the AIDS and Khotso Pula Nata Grants by the provincial government, some variation occurred on the complete roll out of the programmes.

Retirement Benefit Liabilities:

Variation on Employee Benefit Liabilities is as a result of the budget being included under provision, the budget template does not allow for a separation of employee benefits and provisions.

Non-current Provisions:

Variation on Provision is as a result of the employee benefit budget being included under provision, the budget template does not allow for a separation of employee benefits and provisions.

Reserves:

The variance is due to the increase in the reserve being higher than anticipated, due to the cut made on allocations to local municipalities in order to build the municipal reserves. The build up of reserves was higher than anticipated.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE										
Revenue from Non-exchange Transactions										
Transfers and Subsidies	121,311,000	-	121,311,000	4,132,000	125,443,000	125,713,389	-	270,389	100%	104%
Revenue from Exchange Transactions										
Sales of Goods and Rendering of Services	500,000	300,000	800,000	-	800,000	74,620	-	(725,380)	9%	15%
Rental from Fixed Assets	1,002,860	-	1,002,860	-	1,002,860	857,756	-	(145,104)	86%	86%
Interest, Dividends and Rent on Land Earned	4,805,000	-	4,805,000	1,047,000	5,852,000	6,728,692	-	876,692	115%	140%
Total Revenue	127,618,860	300,000	127,918,860	5,179,000	133,097,860	133,374,458	-	276,598	100%	105%
Expenditure										
Employee Related Costs	72,691,760	(200,570)	72,491,190	-	72,491,190	61,650,082	-	(10,841,108)	85%	85%
Remuneration of Councillors	5,875,310	1,354,960	7,230,270	-	7,230,270	6,699,719	-	(530,551)	93%	114%
Depreciation and Amortisation	3,550,660	348,500	3,899,160	-	3,899,160	3,003,017	-	(896,143)	77%	85%
Impairment Losses	3,000	-	3,000	-	3,000	-	-	(3,000)	0%	0%
Interest, Dividends and Rent on Land	222,490	-	222,490	-	222,490	203,899	-	(18,591)	92%	92%
Contracted Services	20,744,690	(699,200)	20,045,490	4,500,000	24,545,490	18,158,186	-	(6,387,304)	74%	88%
Inventory Consumed	1,634,930	(23,000)	1,611,930	-	1,611,930	1,245,543	-	(366,387)	77%	76%
Transfers and Subsidies Paid	8,873,260	(500,000)	8,373,260	-	8,373,260	7,305,733	-	(1,067,527)	87%	82%
Operational Costs	14,621,150	128,120	14,749,270	-	14,749,270	10,273,300	-	(4,475,970)	70%	70%
Loss on Disposal of Property, Plant and Equipment	300,000	-	300,000	-	300,000	67,292	-	(232,708)	22%	22%
Total Expenditure	128,517,250	408,810	128,926,060	4,500,000	133,426,060	108,606,771	-	(24,819,289)	81%	85%
Surplus/(Deficit for the Year	(898,390)	(108,810)	(1,007,200)	679,000	(328,200)	24,767,687	-	25,095,887	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance: *Explanation of Variances between Approved Budget and Actual*

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Sales of Goods and Rendering of Services:

The sale of goods and rendering of services was less than expected due to the low demand for the goods & services.

Rental from Fixed Assets:

The rental of facilities and equipment was less than expected due to the low demand for the services and the fact the organs of state expect to use the facilities at no cost. An arrangement was entered into with the Northern Cape Legislature to use the facilities at no charge.

Interest, Dividends and Rent on Land Earned:

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year. There was a decline in the budget for the 2018/19 financial year for the assistance provided to locals, which allowed the municipality to build up reserves during the current financial year.

Employee Related Costs:

The variance on the employee related costs is due to the vacant positions which have not been filled, i.e. Directors - Finance, Infrastructure and Planning & Development.

Remuneration of Councillors:

The variance is due to the change in the remuneration as gazetted and the change in the portfolio of Councillors. During the year there were a few council vacancies due to the resignation and death of one councillor.

Depreciation and Amortisation:

The depreciation & amortisation on assets was lower than expected due to disposal of assets which occurred during the year and the delay in the completion of the building.

Impairment Losses:

No debtors were impaired for the year, as debtors are deemed to be able to repay the municipality. An assessment was made of debtors at the end of the year, and a provision was made for write-off.

Contracted Services:

Savings realised on the appointment of contractors due to the implementation of cost containment measures and roll-over of projects to the 2019/20 year. Repairs and Maintenance Budget is included under Contracted Services.

Inventory Consumed:

Savings realised on the consumption of inventory due to the implementation of cost containment measures.

Transfers and Subsidies Paid:

Actual expenditure is below the budgeted amount due to non co-operation from local municipalities in submitting their claims.

Operational Costs:

Operational cost was less than the budgeted amount due to cost containment measures implemented during the financial year and savings on projects implemented.

Loss on Disposal of Property, Plant and Equipment:

The loss on disposal of PPE was lower than anticipated due to the write-off of assets being lower than budgeted during the year.

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION										
Executive and Council	R 153,050	5,750	158,800	-	158,800	27,949	-	(130,851)	18%	18%
Finance and Administration	1,590,800	300,000	1,890,800	-	1,890,800	1,356,213	-	(534,587)	72%	85%
Community and Social Services	2,028,000	20,000	2,048,000	-	2,048,000	1,897,054	-	(150,946)	93%	94%
Environmental Protection	786,800	-	786,800	-	786,800	45,147	-	(741,653)	6%	6%
Planning and Development	3,491,000	2,754,280	6,245,280	-	6,245,280	5,868,438	-	(376,842)	94%	168%
Total Capital Expenditure	8,049,650	3,080,030	11,129,680	-	11,129,680	9,194,801	-	(1,934,879)	83%	114%

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Executive and Council:

Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.

Finance and Administration:

Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.

Community and Social Services:

Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.

Planning and Development:

Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.

Environmental Protection:

Savings realised on capital items budgeted for and none procurement of transport assets due to the reassessment of the need for these assets.

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CASH FLOW	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities										
Transfers and Subsidies	121,311,000	-	121,311,000	-	125,443,000	125,599,041		156,041	100%	104%
External Interest and Dividends Received	4,805,000	-	4,805,000	-	5,852,000	6,728,692		876,692	115%	140%
Other Receipts	518,000	300,000	818,000	-	818,000	-		(818,000)	0%	0%
VAT Receivable / Payable	-	-	-	-	-	1,736,207		1,736,207	0%	0%
Employee Related Costs	(69,889,760)	200,570	(69,689,190)	-	(69,689,190)	(58,269,265)		11,419,905	0%	0%
Remuneration of Councillors	(5,875,310)	(1,354,960)	(7,230,270)	-	(7,230,270)	(6,699,719)		530,551	0%	0%
External Interest and Dividends Paid	(222,490)	-	(222,490)	-	(222,490)	(203,899)		18,591	0%	0%
Suppliers Paid	(23,668,200)	546,880	(23,121,320)	-	(27,621,320)	(17,338,304)		10,283,016	0%	0%
Other Payments	(22,204,620)	547,200	(21,657,420)	-	(21,657,420)	(18,675,162)		2,982,258	0%	0%
VAT Receivable / Payable	-	-	-	-	-	-		-	0%	0%
Cash Flows from/(used in) Investing Activities										
Purchase of Property, Plant and Equipment	(8,049,550)	(3,080,030)	(11,129,580)	-	(11,129,580)	(9,194,801)		1,934,779	0%	0%
Purchase of Intangible Assets	-	-	-	-	-	-		-	0%	0%
Purchase of Investment Property	-	-	-	-	-	-		-	0%	0%
Purchase of Heritage Assets	-	-	-	-	-	-		-	0%	0%
Purchase of Biological Assets	-	-	-	-	-	-		-	0%	0%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	2		2	0%	0%
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-		-	0%	0%
Proceeds on Disposal of Investment Property	-	-	-	-	-	-		-	0%	0%
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-		-	0%	0%
Profit on Sale of Land	-	-	-	-	-	-		-	0%	0%
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-		-	0%	0%
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-		-	0%	0%
Decrease / (Increase) in Long-term Receivables	114,000	-	114,000	-	114,000	(82,000)		(196,000)	0%	0%
Cash Flows from/(used in) Financing Activities										
Proceeds from Borrowings	-	-	-	-	-	-		-	0%	0%
Repayment of Borrowings	(2,484,589)	-	(2,484,589)	-	(2,484,589)	(2,455,416)		29,173	0%	0%
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-		-	0%	0%
Cash and Cash Equivalents at End of the Year	(5,646,519)	(2,840,340)	(8,486,859)	-	(7,807,959)	21,145,357	-	28,953,216	0%	0%

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

External Interest and Dividends Received:

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year. There was a cut in the budget for the 2018/19 financial year for the assistance provided to locals, which allowed the municipality to build up reserves during the current.

Other Receipts:

The variance in other receipts is due to the high variance between the budgeted receivable and the actuarial valuation, as the variation on long-term receivable was higher than expected which lead to an increase in other payments on the cash flow.

VAT Receivable / Payable:

There is a variance in the budget as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions of R3 663 078. No provision is made on the budget template to separate VAT receivables.

Employee Related Costs:

The variance on the employee related cost is due to the vacant positions which have not been filled, i.e. Director - Finance, Director - Infrastructure and Director - Planning & Development.

Remuneration of Councillors:

The variance are due to the change in the remuneration as gazetted and the change in the portfolio of Councillors. During the year there were a few council members who resigned and one passed away.

External Interest and Dividends Paid:

The variance is due to the last payment for the loan which had less interest than anticipated.

Suppliers Paid:

The variance is due to the low submission of claims from local municipalities for operation and maintenance and savings on operational cost due to cost containment measures implemented to ensure elimination of none priority spending.

Other Payments:

The variance is due to cost containment measures implemented to ensure elimination of none priority spending and dependency on consultants.

Purchase of Property, Plant and Equipment:

The variance is due to the savings on capital assets procured, none procurement of assets where the need for them were re-assessed.

Decrease / (Increase) in Long-term Receivables:

Due to the actuarial valuation performed at the end of the year a variation occurred between the actual and budgeted figure for long-term receivables.

Loans repaid:

The variance is due to the last payment for the loan which had less interest than anticipated therefore causing a difference in the amount repaid. The loan was fully paid up at the end of the financial year.

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2018/19	2017/18
Net surplus/(deficit) per the statement of financial performance	R	R
Revenue from Non-exchange Transactions	24,767,687	7,273,895
Transfers and Subsidies	(270,389)	1,128,252
Revenue from Exchange Transactions		
Sales of Goods and Rendering of Services	725,380	214,264
Rental from Fixed Assets	145,104	224,102
Interest, Dividends and Rent on Land Earned	(876,692)	(568,289)
Gains on Disposal of Property, Plant and Equipment	-	(2,029,330)
Expenditure		
Employee Related Costs	(10,841,108)	(18,716,996)
Remuneration of Councillors	(530,551)	183,862
Depreciation and Amortisation	(896,143)	587,056
Impairment Losses	(3,000)	85,121
Finance Costs	(18,591)	(35,891)
Contracted Services	(6,387,304)	(7,553,283)
Inventory Consumed	(366,387)	(93,980)
Grants and Subsidies Paid	(1,067,527)	(4,457,917)
Operational Costs	(4,475,970)	(1,140,858)
Statutory Payments other than Taxes	-	-
Loss on Disposal of Property, Plant and Equipment	(232,708)	(220,607)
Net surplus/deficit per approved budget	(328,200)	(25,120,600)

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2018 and 30 June 2019 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

1.3.2 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.3.3 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, and 5.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 9 and 10 to the Annual Financial Statements, if applicable.

1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting (effective 1 April 2020)
- GRAP 20 Related Party Disclosures (effective 1 April 2019)
- GRAP 32 Service Concession Arrangement Grantor (effective 1 April 2019)
- GRAP 108 Statutory Receivables (effective 1 April 2019)
- GRAP 109 Accounting by Principals and Agents (effective 1 April 2019)
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality, except for:

- GRAP 108 Statutory Receivables:-
It is expected that the Standard will affect the valuation of Receivables from Non-Exchange Transactions, but the extent cannot be determined at this stage.
- GRAP 109 Accounting by Principals and Agents:-
The effect of this Standard on accounting for transactions between the municipality, another function of government or private sector and third parties, can only be determined once it becomes effective.

2. NET ASSETS

2.1.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. Subsequent adjustments to the Revaluation Reserve are made in accordance with GRAP 17 (Property, Plant and Equipment).

2.1.2 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in Surplus or Deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Revaluation Model:

Buildings and Land

During the current year the municipality opted to adopt the application of the *Revaluation Model* for its buildings and land based on the conclusion that this is the more prudent approach for the municipality to follow.

Subsequent to initial recognition Buildings and Land are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by experienced valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years
	Community	
	Security Measures	5 - 10
	Land and Buildings	
	Land	Indefinite
	Buildings	5-32
	Other	
	Computer Equipment	5 - 27
	Emergency Equipment	5 - 27
	Furniture and Fittings	4 - 30
	Motor Vehicles	5 - 15
	Office Equipment	5 - 27
	Plant and Machinery	4 - 17

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

3.4 Land

Land is stated at fair value and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. HERITAGE ASSETS

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

4.1 Initial Recognition

Heritage Assets are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (*Intangible Assets*). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	10
	Computer Software Licences	10

5.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

6.2 Subsequent Measurement

During the current year the municipality reviewed its application of the *Fair Value Model* and concluded that based on a lack of commercial substance for such valuations, the more prudent approach for the municipality would be to carry these assets at their cost prices. The municipality has no intention of selling its land and buildings and thus the *Cost Model* would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets.

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

6.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

8.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

Financial Assets measured at Cost

Financial Assets at Cost are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

8.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores distributed at no charge or for a nominal charge are valued at the lower of cost and current replacement cost. The cost is determined using the *weighted average Method*.

9.2.2 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

10.2 Revenue from Exchange Transactions

10.2.1 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

10.2.2 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

10.2.3 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.3 Revenue from Non-exchange Transactions

10.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

10.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

11. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

12. EMPLOYEE BENEFIT LIABILITIES

12.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrues to Section 56 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

12.2 Post-employment Benefits

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

12.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

12.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

13. LEASES

13.1 The Municipality as Lessor

Rental revenue from Operating Leases is recognised on a *Straight-line Basis* over the term of the relevant lease.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

19. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

24. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2018 to 30 June 2019.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
1. GENERAL INFORMATION		
<p>Frances Baard District Municipality is a local government Institution in the Northern Cape, Kimberley, and has 4 local municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2019. The principal activities of the municipality are disclosed in the Annual Report.</p>		
2. INVENTORIES		
Consumables	362,518	341,561
Total Inventories	362,518	341,561
Reconciliation:		
Opening balance	341,561	337,673
Purchases	350,540	355,214
Issues	(327,710)	(351,326)
Adjustments	(1,872)	-
Closing Balance	362,518	341,561

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Stores issues amounted to R327 710 for the current year (2018: R351 326)

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	1,960,503	88,121	1,872,382
Other Service Charges	1,960,503	88,121	1,872,382
Prepayments and Advances	1,069,031	-	1,069,031
Rent	-	-	-
Subscriptions	1,069,031	-	1,069,031
Other Debtors	1,161,322	-	1,161,322
Total Receivables from Exchange Transactions	4,190,855	88,121	4,102,735

Other service charges is made up of monthly charge for Dikgatlong refund on medical aid, post medical aid recovered from public works, billing recovered from government departments for using land which has not been transferred over to these government departments and debt recovered from employees, i.e. failed courses.

Prepayments and advances consist of SALGA subscription, advance insurance premiums and advance BAUD (asset system) premiums for the 2019/20 financial year.

Other debtors consist of accrued interest from investment accounts and disaster grant (COGHSTA) gazetted but not paid over to the municipality.

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Service Debtors:	950,367	88,121	862,247
Other Service Charges	950,367	88,121	862,247
Prepayments and Advances	671,014	-	671,014
Rent	-	-	-
Subscriptions	671,014	-	671,014
Other Debtors	333,108	-	333,108
Total Receivables from Exchange Transactions	1,954,488	88,121	1,866,368

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The impairment on debtors of R88 120,53 is based on long outstanding debtors, who owe the municipality for more than 120 days. Refer to Note 29 for detail on impairment provision.

FRANÇES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018
R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2019

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Other Service Charges:					
Gross Balances	159,837	606,739	86,478	1,107,448	1,960,503
Less: Provision for Impairment		-	-	88,121	88,121
Net Balances	159,837	606,739	86,478	1,019,328	1,872,382
Prepayments and Advances:					
Gross Balances	1,069,031	-	-	-	1,069,031
Net Balances	1,069,031	-	-	-	1,069,031
Other Debtors					
Gross Balances	1,161,322	-	-	-	1,161,322
Net Balances	1,161,322	-	-	-	1,161,322

As at 30 June 2019 Receivables of R1,712,545 were past due, accounts older than 90 days were assessed and impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	606,739	86,478	1,107,448	1,800,665
Less: Provision for Impairment	-	-	88,121	88,121
Net Balances	606,739	86,478	1,019,328	1,712,545

As at 30 June 2018

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Other Service Charges:					
Gross Balances	165,606	187,980	113,937	482,845	950,367
Net Balances	165,606	187,980	113,937	394,724	862,247
Prepayments and Advances:					
Gross Balances	-	-	671,014	-	671,014
Net Balances	-	-	671,014	-	671,014
Other Debtors					
Gross Balances	(16,963)	350,071	-	-	333,108
Net Balances	(16,963)	350,071	-	-	333,108

As at 30 June 2018 Receivables of R1,717,725 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	538,050	784,950	482,845	1,805,845
Less: Provision for Impairment	-	-	88,121	88,121
Net Balances	538,050	784,950	394,724	1,717,725

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
4. VAT RECEIVABLE		
Vat Receivable	<u>1,926,871</u>	<u>3,663,078</u>

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

5. INVESTMENTS

Total Bank deposits	<u>6,700,000</u>	<u>6,050,000</u>
	<u>6,700,000</u>	<u>6,050,000</u>
Current Investments Movement during year:		
Opening Balance	6,050,000	10,450,000
Invested	650,000	100,000
Redeemed/withdrawn	-	(4,500,000)
Closing Balance	<u>6,700,000</u>	<u>6,050,000</u>

Fixed deposit at Nedbank until 24 June 2020

**Difference Between Cashbook and Bankstatements
NEDBANK**

2018/19		
Cashbook	Bankstatement	Difference
6,700,000	6,700,000	+

**Difference Between Cashbook and Bankstatements
NEDBANK**

2017/18		
Cashbook	Bankstatement	Difference
6,050,000	6,050,000	-

6. CASH AND CASH EQUIVALENTS

Current Investments	66,501,000	51,001,000
Bank Accounts	5,062,862	67,505
Cash and Cash Equivalents	3,300	3,300
Total Bank, Cash and Cash Equivalents	<u>71,567,162</u>	<u>51,071,805</u>
Net Bank, Cash and Cash Equivalents	<u>71,567,162</u>	<u>51,071,805</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	66,501,000	51,001,000
Total Current Investment Deposits	<u>66,501,000</u>	<u>51,001,000</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.00 % to 8.50 % (2018: 6.00 % to 8.50 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 6.00 % to 8.50 % (2018: 6.00 % to 8.50 %) per annum.

Deposits attributable to Unspent Conditional Grants	92,314	206,662
Deposits attributable to Capital Replacement Reserve.	7,957,082	7,957,082
Deposits attributable to Payables	8,682,557	6,549,125
Deposits attributable to Current Provisions	9,514,535	8,490,003
Deposits attributable to Consumer Deposits	345	570
Deposits available for Operations	40,254,167	27,797,557
Total Deposits attributable to Commitments of the Municipality	<u>66,501,000</u>	<u>51,001,000</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
6.2 Bank Accounts		
Cash in Bank	5 062,862	67,505
Bank Overdraft	-	-
Total Bank Accounts	5,062,862	67,505

The Municipality has the following bank accounts:

Primary Bank Account

Standard Bank - Kimberley Business Centre - Primary Account:

Cash book balance at beginning of year	67,505	4,597,819
Cash book balance at end of year	-	67,505

ABSA - Northern Cape Provincial BNKG - Primary Account:

Cash book balance at end of year	5,062,862	-
----------------------------------	-----------	---

Bank statement balance at beginning of year	1,520,139	5,121,872
Bank statement balance at end of year	5,062,862	1,520,139

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Investment Account

Difference Between Cashbook and Bankstatements

ABSA
FNB
NEDBANK
Standard Bank
Total Investments

2018/19		
Cashbook	Bankstatement	Difference
3,001,000	3,001,000	-
12,500,000	12,500,000	-
25,000,000	25,000,000	-
26,000,000	26,000,000	-
66,501,000	66,501,000	-

Difference Between Cashbook and Bankstatements

ABSA
FNB
NEDBANK
Standard Bank
Total Investments

2017/18		
Cashbook	Bankstatement	Difference
12,001,000	12,001,000	-
13,500,000	13,500,000	-
15,500,000	15,500,000	-
10,000,000	10,000,000	-
51,001,000	51,001,000	-

6.3 Cash and Cash Equivalents

Cash Floats and Advances	3,300	3,300
Total Cash on hand in Cash Floats, Advances and Equivalents	3,300	3,300

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019 R	2018 R
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7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	4,056	5,282
Operating Lease Revenue effected	(3,147)	(1,225)
Total Operating Lease Receivables	909	4,056

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of 60 months (2018/19: 60 months), with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R48 265 (2017: R44 714). Direct operating expenses arising on the investment property in the period amounted to R0 (2018: R0).

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R48,265 (2018: R44,714).

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	909	1,946
2 to 5 years	-	516
Total Operating Lease Arrangements	909	2,462

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R0 (2018: increase of R0) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Employee Benefits - Roads Members	868,000	819,000
Total Current Portion of Long-term Receivables	868,000	819,000

Current portion of long-term receivables relate to post medical aid payments which the municipality made on behalf of retired Roads members, which is claimed back from the Department of Roads & Public Works on a monthly basis.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2019

Reconciliation of Carrying Value

Description	Land	Buildings	Community	Machinery and Equipment	Furniture and Office Equipment	Computer Equipment	Transport Assets	Other	Total
	R	R	R				R	R	R
Carrying values at 01 July 2018	4,171,760	38,504,075	170,880	2,816,223	1,075,868	1,273,369	3,377,720	5,165,461	49,389,895
Cost	4,171,760	8,880,241	1,118,253	6,331,095	7,060,978	5,016,555	9,289,541	18,408,630	41,868,424
- Completed Assets	4,171,760	-	1,118,253	4,576,960	7,060,978	5,016,555	9,289,541	16,654,494	31,234,048
- Under Construction	-	8,880,241	-	1,754,136	-	-	-	1,754,136	10,634,376
Revaluation	-	46,493,671	-	-	-	-	-	-	46,493,671
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-18,869,838	-947,373	-3,514,872	-5,985,111	-3,743,186	-5,911,821	-13,243,169	-38,972,201
- Cost	-	-	-947,373	-3,514,872	-5,985,111	-3,743,186	-5,911,821	-13,243,169	-20,102,363
- Revaluation	-	-18,869,838	-	-	-	-	-	-	-18,869,838
Acquisition of Assets	-	-	-	-	-	-	-	-	-
- Cost: Internal Funding	-	-	-	128,766	801,244	635,881	1,779,972	1,565,890	3,345,862
- Capital Under Construction: Internal Funding	-	5,394,139	-	-	454,800	-	-	454,800	5,848,939
Increases/Decreases in Revaluation	-	-	-	-	-	-	-	-	-
Depreciation:	-	-679,620	-56,939	-205,058	-384,259	-414,405	-1,094,669	-1,004,622	-2,835,651
Carrying value of Disposals:	-	-	-2,776	-1,610	-5,251	-37,757	-19,900	-44,618	-67,294
- Cost	-	-	-17,851	-36,198	-95,514	-403,232	-230,000	-534,943	-782,794
- Accumulated Depreciation	-	-	15,075	34,587	90,263	365,475	210,100	490,325	715,500
Impairment Losses	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2019	4,171,760	41,218,593	111,165	2,737,421	1,942,402	1,457,088	4,043,122	6,136,911	55,681,551
Cost	4,171,760	14,274,380	1,100,402	6,423,664	8,221,509	5,249,204	10,839,513	19,894,376	50,280,431
- Completed Assets	4,171,760	-	1,100,402	4,669,528	7,766,709	5,249,204	10,839,513	17,685,441	33,797,116
- Under Construction	-	14,274,380	-	1,754,136	454,800	-	-	2,208,936	16,483,315
Revaluation	-	46,493,671	-	-	-	-	-	-	46,493,671
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-19,549,458	-989,237	-3,686,242	-6,279,108	-3,792,116	-6,796,391	-13,757,466	-41,092,551
- Cost	-	-	-932,298	-3,686,242	-6,279,108	-3,792,116	-6,796,391	-13,757,466	-21,486,155
- Revaluation	-	-19,549,458	-56,939	-	-	-	-	-	-19,606,396

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

B PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2018

Reconciliation of Carrying Value

Description	Land	Buildings	Community	Machinery and Equipment	Furniture and Office Equipment	Computer Equipment	Transport Assets	Other	Total
	R	R	R					0	0
Carrying values at 01 July 2017	4,171,760	33,954,557	275,062	3,083,065	1,510,042	1,525,825	4,921,190	6,118,933	49,441,502
Cost	4,171,760	5,651,128	1,108,823	6,316,514	7,359,033	5,121,863	9,300,947	18,797,410	39,030,067
- Completed Assets	4,171,760	-	1,108,823	4,562,378	7,359,033	5,121,863	9,300,947	17,043,274	31,624,803
- Under Construction	-	5,651,128	-	1,754,136	-	-	-	1,754,136	7,405,264
Revaluation	-	46,493,671	-	-	-	-	-	-	46,493,671
Accumulated Depreciation:	-	(18,190,243)	(833,760)	(3,233,448)	(5,848,991)	(3,596,037)	(4,379,756)	(12,678,477)	(36,082,236)
- Cost	-	-	(833,760)	(3,233,448)	(5,848,991)	(3,596,037)	(4,379,756)	(12,678,477)	(17,891,994)
- Revaluation	-	(18,190,243)	-	-	-	-	-	-	(18,190,243)
Acquisition of Assets	-	-	-	-	-	-	-	-	-
- Cost: Internal Funding	-	-	9,430	14,582	150,362	312,670	-	477,613	487,043
- Capital Under Construction: Internal Funding	-	3,229,112	-	-	-	-	-	-	3,229,112
Depreciation:	-	(679,595)	(113,613)	(281,424)	(547,750)	(540,964)	(1,541,884)	(1,370,137)	(3,705,228)
Carrying value of Disposals:	-	-	-	-	(36,786)	(24,162)	(1,586)	(60,948)	(62,535)
- Cost	-	-	-	-	(448,416)	(417,978)	(11,405)	(866,393)	(877,798)
- Accumulated Depreciation	-	-	-	-	411,629	393,815	9,819	805,445	815,264
Impairment Losses	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2018	4,171,760	36,504,075	170,880	2,816,223	1,075,868	1,273,369	3,377,720	5,185,461	49,389,895
Cost	4,171,760	8,880,241	1,118,253	6,331,095	7,060,979	5,016,555	9,289,541	18,408,630	41,868,424
- Completed Assets	4,171,760	-	1,118,253	4,576,960	7,060,979	5,016,555	9,289,541	16,654,494	31,234,048
- Under Construction	-	8,880,241	-	1,754,136	-	-	-	1,754,136	10,634,376
Revaluation	-	46,493,671	-	-	-	-	-	-	46,493,671
Accumulated Depreciation:	-	(18,869,838)	(947,373)	(3,514,872)	(5,985,111)	(3,743,186)	(5,911,821)	(13,243,169)	(38,972,201)
- Cost	-	-	(947,373)	(3,514,872)	(5,985,111)	(3,743,186)	(5,911,821)	(13,243,169)	(20,102,363)
- Revaluation	-	(18,869,838)	-	-	-	-	-	-	(18,869,838)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
9 PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation		
No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.		
9.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
9.4 Impairment of Property, Plant and Equipment		
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date		
9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
There was no change (2017/18: R0) in the estimated useful life of various assets of the municipality for the financial year.		
9.6 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the fair value model. Revaluation is done every four years, and therefore no fair value was determined for the year under review.		
9.7 Delayed Projects		
Project Details	Delayed or Halted	
Infrastructure Unit:		
Project 1: Additional Offices	Delayed	
Reason: Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.	12,091,573	6,697,435
Fire Fighting & Disaster Management		
Project 1: Water Tanker	Delayed	
Reason: Project experienced some delays in completing the project by the projected due date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.	-	1,754,136

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
9.8 Expenditure incurred to repair and maintain		
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Information and Communication Infrastructure	53,320	37,617
Computer Equipment	6,171	18,682
Furniture and Office Equipment	400,122	422,580
Machinery and Equipment	253,367	274,058
Other Assets - Buildings	597,682	322,728
Transport Assets	223,791	47,510
Total Expenditure related to Repairs and Maintenance Projects	1,534,454	1,123,176
Total Repairs and Maintenance related to assets of Frances Baard District Municipality	1,534,454	1,123,176

10 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	412,698	579,865
The movement in Intangible Assets is reconciled as follows:		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	412,698	579,865
The movement in Intangible Assets is reconciled as follows:		
	Software Purchased	Total
Carrying values at 01 July 2018	579,865	579,865
Cost	1,704,958	1,704,958
Accumulated Amortisation	(1,125,093)	(1,125,093)
Acquisitions:	-	-
Amortisation:	(167,167)	(167,167)
Purchased	(167,167)	(167,167)
Carrying values at 30 June 2019	412,698	412,698
Cost	1,704,958	1,704,958
Accumulated Amortisation	(1,292,260)	(1,292,260)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
	Software Purchased	Total
Carrying values at 01 July 2017		
Cost	597,004	597,004
Accumulated Amortisation	1,555,958 (958,954)	1,555,958 (958,954)
Acquisitions:		
Purchased Internal Funding	149,000 149,000	149,000 149,000
Amortisation:		
Purchased	(166,139) (166,139)	(166,139) (166,139)
Disposals:	-	-
Carrying values at 30 June 2018		
Cost	579,865	579,865
Accumulated Amortisation	1,704,958 (1,125,093)	1,704,958 (1,125,093)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

10.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

10.6 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	2,011,908	1,940,338
Licence fees	1,839,307.02	1,774,459.11
Website Maintenance	172,600.76	165,879.31
	2,011,908	1,940,338

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11 HERITAGE ASSETS

30 June 2019

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2018	-	-	-	631,417	-	631,417
Cost	-	-	-	631,417	-	631,417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2019	-	-	-	631,417	-	631,417
Cost	-	-	-	631,417	-	631,417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

11 HERITAGE ASSETS

30 June 2018

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2017	-	-	-	631,417	-	631,417
Cost	-	-	-	631,417	-	631,417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2018	-	-	-	631,417	-	631,417
Cost	-	-	-	631,417	-	631,417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11 HERITAGE ASSETS (Continued)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

11.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

11.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

11.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

12.8 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	3,550	-
	<u>3,550</u>	<u> </u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
12 LONG-TERM RECEIVABLES		
Employee Benefits	8,461,000	8,379,000
Total Long Term Receivables	<u>8,461,000</u>	<u>8,379,000</u>
Less: Current Portion transferred to Current Receivables:-		
Employee Benefits	<u>868,000</u>	<u>819,000</u>
Non-Current Portion of Long Term Receivables	<u>7,593,000</u>	<u>7,560,000</u>

EMPLOYEE BENEFITS RECEIVABLES

Municipality managed an agency service on behalf of the Department of Roads and Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per the agreement, the municipality will continue payment of the post-service medical aid premiums of the retired employees to the service provider. The department will refund the employees portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions. The receivables is valued by actuaries on a yearly basis which forms part of the analysis as per the employee benefits, refer to note 21.

13 CONSUMER DEPOSITS

Other Deposits	345	570
Rental Properties	<u>345</u>	<u>570</u>
Total Consumer Deposits	<u>345</u>	<u>570</u>

CONSUMER DEPOSITS - RENTAL PROPERTIES

Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

14 PROVISIONS

Performance Bonus	486,370	281,430
Current Portion of Employee Benefit Liabilities (See Note 18):	2,307,000	2,124,000
Post-retirement Medical Aid Benefits Liability	<u>2,215,000</u>	<u>2,004,000</u>
Long-term Service Liability	<u>92,000</u>	<u>120,000</u>
Current Portion of Non-Current Provisions (See Note 20):	6,721,165	6,084,573
Ex-gratia Pension	<u>32,000</u>	<u>35,000</u>
Leave	<u>6,689,165</u>	<u>6,049,573</u>
Total Provisions	<u>9,514,535</u>	<u>8,490,003</u>

The movement in provisions is reconciled as follows:

Current Provisions:

Performance Bonus:

Opening Balance	281,430	534,768
Increases	204,940	-
Reductions	-	(257,851)
Reversals	-	4,493
Balance at end of year	<u>486,370</u>	<u>281,430</u>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

	Medical Aid R	Long-term Service R
30 June 2019		
Opening Balance	2,004,000	120,000
Actual employer benefit payments	<u>211,000</u>	<u>(28,000)</u>
Balance at end of year	<u>2,215,000</u>	<u>92,000</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Medical Aid R	Long-term Service R
30 June 2018		
Opening Balance	2 024,000	417,000
Current service cost	(20,000)	-
Actual employer benefit payments	-	(297,000)
Balance at end of year	<u>2,004,000</u>	<u>120,000</u>

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

	Leave Provision R	Ex-gratia Pension R
30 June 2019		
Opening Balance	6,049,573	35,000
Increases	(742,412)	-
Payments Made	1,382,000	(3,000)
Balance at end of year	<u>6,689,165</u>	<u>32,000</u>

	Leave Provision R	Ex-gratia Pension R
30 June 2018		
Opening Balance	5,983,323	35,000
Increases	665,452	-
Payments Made	(599,201)	-
Balance at end of year	<u>6,049,573</u>	<u>35,000</u>

Ex-gratia Pensions: Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Leave Provision: Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Long Service Award: Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

15 PAYABLES FROM EXCHANGE TRANSACTIONS

Advance Payments	(36)	20,210
Bonus	1,743,240	1,696,191
Other Payables	29,179	27,109
Unallocated Deposits	<u>29,179</u>	<u>27,109</u>
Retentions	336,603	336,603
Trade Creditors	6,573,570	4,469,012
Total Payables	<u>8,682,557</u>	<u>6,549,125</u>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

National Government	92,314	206,662
Provincial Government	-	206,662
Total Conditional Grants and Receipts	92,314	206,662

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government and Note N/A for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

17 LONG-TERM LIABILITIES

Long-Term Liabilities		2,455,416
Development Bank of South Africa		2,455,416
Less: Current Portion transferred to Current Liabilities:-		(2,455,416)
Development Bank of South Africa		(2,455,416)
Non-Current Portion of Long-term Liabilities		-

17.1 Summary of Arrangements

The fixed term loan is over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Borrowings

Current Portion transferred to Current Liabilities:-		2,455,416
Annuity and Bullet Loans		2,455,416
Total Borrowings		2,455,416

17.3 Obligations under Borrowings

The obligations under DBSA Loan is as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2019 R	2018 R	2019 R	2018 R
Amounts payable under borrowings:				
Within one year	-	2,677,906	-	2,677,906
In the second to fifth years, inclusive	-	-	-	-
Over five years	-	-	-	-
	-	2,677,906	-	2,677,906
Less: Future Finance Obligations	-	222,490	-	222,490
Present Value of Minimum Lease Obligations	-	2,455,416	-	2,455,416
Less: Amounts due for settlement within 12 months (Current Portion)				(2,455,416)
Borrowings due for settlement after 12 months (Non-current Portion)				-

18 EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities		33,202,963	30,504,898
Post-retirement Health Care Benefits Liability		31,091,999	28,513,999
Long Service Awards Liability		2,110,964	1,990,899
Less: Current Portion of Employee Benefit Liabilities		(2,307,000)	(2,124,000)
Post-retirement Health Care Benefits Liability		(2,215,000)	(2,004,000)
Long Service Awards Liability		(92,000)	(120,000)
Non-Current Portion of Employee Benefit Liabilities		30,895,963	28,380,898

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18.1 Post-retirement Health Care Benefits Liability

Opening balance	28,513,999	30,074,999
Interest cost	2,765,000	3,002,000
Current service cost	630,000	742,000
Actual employer benefit payments	(1,838,765)	(1,862,965)
Actuarial loss/ (gain) recognised in the year	1,021,765	(3,442,035)
Balance at end of Year	31,091,999	28,513,999
Transfer to Current Provisions	2,215,000	2,004,000
Total Post-retirement Health Care Benefits Liability	28,876,999	26,509,999

The municipality provides certain post retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr DT Murewa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	67	62
In-service Non-members (Employees)	36	36
Continuation Members (Retirees, widowers and orphans)	43	47
Total Members	146	145

The liability in respect of past service has been estimated as follows:

In-service Members	9,043,000	9,144,000
In-service Non-members	599,000	585,000
Continuation Members	21,449,999	18,784,999
Total Liability	31,091,999	28,513,999

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2019 is estimated to be R2,765,000, whereas the cost for the ensuing year is estimated to be R3 537 354 (30 June 2018: R3,002,000 and R2,765,000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield Curve	
Health Care Cost Inflation Rate	Equal to CPI + 1	
Net Effective Discount Rate	Yield Curve Based	
Expected Rate of Salary Increase	7.50%	7.36%
Expected Retirement Age - Females	65	58
Expected Retirement Age - Males	65	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	28,513,999	30,074,999
Interest cost	2,765,000	3,002,000
Current service cost	630,000	742,000
Actual employer benefit payments	(1,838,765)	(1,862,965)
Actuarial loss/ (gain) recognised in the year	1,021,765	(3,442,035)
Total Recognised Benefit Liability	31,091,999	28,513,999

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	31,091,999	28,513,999
	31,091,999	28,513,999
Unfunded Accrued Liability	31,091,999	28,513,999
Total Benefit Liability	31,091,999	28,513,999

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The history of fair values are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	31,091,999	28,513,999	30,074,999	27,792,000	26,916,547
Deficit	<u>31,091,999</u>	<u>28,513,999</u>	<u>30,074,999</u>	<u>27,792,000</u>	<u>26,916,547</u>

Experienced adjustments on Plan Liabilities	(1 919,000)	2,356,040	41 820	6,739,754	(1,528,436)
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1	4,061,000
Effect on the defined benefit obligation	1	34,835,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(1)	(3,022,000)
Effect on the defined benefit obligation	(1)	(28,178,000)

The effect of a 20% movement in the withdrawal rate is as follows:

The municipality expects to make a contribution of R4 416 765 (2018: R3 395 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 41 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

18.2 Long Service Awards Liability

Opening Balance	1,990,899	1,953,000
Increases	456,000	493,000
Payments Made	(102,935)	(455,101)
Other Reductions	(233,000)	(297,000)
Reversals	-	297,000
Balance at end of Year	<u>2,110,964</u>	<u>1,990,899</u>
Transfer to Current Provisions	92,000	120,000
Total Long Service Awards Liability	<u>2,018,964</u>	<u>1,870,899</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr DT Murewa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 93 (2018: 95) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2019 is estimated to be R189 000, whereas the cost for the ensuing year is estimated to be R199 000 (30 June 2018: R493 000).

	2019 R	2018 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Cost Inflation Rate	CPI+1	7.06%
Expected Rate of Salary Increase	7.50%	8.50%
Expected Retirement Age - Females	65	63
Expected Retirement Age - Males	65	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	1,990,899	1,953,000
Increases	456,000	493,000
Payments Made	(102,935)	(455,101)
Other Reductions	(233,000)	(297,000)
Reversals	-	297,000
Increases (Passage of Time/Discounted Rate)	-	-
Total Recognised Benefit Liability	<u>2,110,964</u>	<u>1,990,899</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The amounts recognised in the Statement of Financial Position are as follows:
Present value of fund obligations

2 110 964 1 990 899

2 110 964 1 990 899

Unfunded Accrued Liability

2 110 964 1 990 899

Total Benefit Liability

2 110 964 1 990 899

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost

189 000 230 000

Interest cost

239 000 202 000

Expected return on reimbursement rights

- -

Actuarial losses / (gains)

(205 000) 61 000

Total Post-retirement Benefit Included in Employee Related Costs (Note 26)

223 000 493 000

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	2 110 964	1 990 899	1 953 000	1 792 000	1 608 517
Deficit	<u>2 110 964</u>	<u>1 990 899</u>	<u>1 953 000</u>	<u>1 792 000</u>	<u>1 608 517</u>

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost

414 000 135 800

Effect on the defined benefit obligation

2 262 000 674 285

Decrease:

Effect on the aggregate of the current service cost and the interest cost

(355 000) (121 700)

Effect on the defined benefit obligation

(1 973 000) (611 740)

The municipality expects to make a contribution of R383 000 (2019: R428 000) to the defined benefit plans during the next financial year

19 NON-CURRENT PROVISIONS

Ex-gratia Pension

108 000 108 910

Total Non-current Provisions

108 000 108 910

The movement in Non-current Provisions are reconciled as follows:

Staff Benefit Provisions:

Ex-Gratia Pension

2019 2018

Opening Balance

108 910 114 001

Increases

33 180 29 000

Payments Made

-34 090 -34 090

Balance at end of year

108 000 108 910

20 RESERVES

Capital Replacement Reserve

7 957 082 7 957 082

Revaluation Reserve

19 511 393 19 775 353

Total Reserves

27 468 475 27 732 436

20.1 Capital Replacement Reserve

The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.

Reconciliation of the Capital Replacement Reserve:

Opening Balance

7 957 082 7 957 082

Balance at end of year

7 957 082 7 957 082

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

20.2 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings and qualifying Community Assets. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Reconciliation of Revaluation Reserve

Opening Balance	19,775,353	20,039,314
Transfers to/from Accumulated Surplus	(263,961)	(263,961)
Balance at end of year	19,511,393	19,775,353

21 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	73,084,672	48,053,024
Total Accumulated Surplus	73,084,672	48,053,024

Reconciliation of Accumulated Surplus:

Opening Balance	48,053,024	40,430,960
Correction of Prior Period Error	-	84,208
Depreciation Offsets	263,961	263,961
Accumulated Surplus As Per Financial Performance	24,767,687	7,273,895
Total Accumulated Surplus	73,084,672	48,053,024

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	2,521,000	-
Monetary Allocations	2,521,000	-
Operational Grants	123,192,389	117,698,568
Monetary Allocations	123,192,389	117,698,568
Total Government Grants and Subsidies	125,713,389	117,698,568

22.1 Capital Grants

	Monetary Allocations	
	2019	2018
National Governments	2,521,000	-
Total Capital Grants Received	2,521,000	-

22.2 Operational Grants

	Monetary Allocations	
	2019	2018
SETA, Skills grant	73,704	100,150
National Governments	1,000,000	4,111,462
National Revenue Fund	116,209,000	112,317,000
ABSA	-	40,000
Provincial Government	5,909,686	1,129,956
Total Operational Grants Received	123,192,389	117,698,568

22.3 Calculation of Cash Flow:

Government Grants and Subsidies Income	125,713,389	117,698,568
Opening Balance of Unspent Government Grants	(206,662)	(471,699)
Closing Balance of Unspent Government Grants (reconcile with note 16)	92,314	206,662
Total Receipts for Government Grants and Subsidies	125,599,041	117,433,532

22.4 Reconciliation per Grant Source

22.4.1 National Governments

Balance unspent at beginning of year	4,538	-
Current year receipts	120,843,000	117,601,001
Conditions met - transferred to Revenue	(120,847,538)	(117,394,358)
Conditions still to be met - transferred to Current Liabilities (see Note 16)	-	206,662

These grants have been used to fund operations within the municipality the grants consist of Equitable Share, EPWP, RRAMS and FMG received from National Government.

22.4.2 National Revenue Fund - Fuel Levy & Equitable Share

Current year receipts	116,209,000	112,317,000
Conditions met - transferred to Revenue	(116,209,000)	(112,317,000)
Conditions still to be met - transferred to Current Liabilities (see Note 16)	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

This grant has been used to fund operational expenses within the municipality

22.4.1.2 Rural Road Asset Management System Grant (RRAMS)

Current year receipts	2,521,000	2,516,000
Conditions met - transferred to Revenue	(2,521,000)	(2,516,000)
Conditions still to be met - transferred to Current Liabilities (see Note 21)	-	-

22.4.1.3 Financial Management Grant (FMG)

Current year receipts	1,000,000	1,250,001
Conditions met - transferred to Revenue	(1,000,000)	(1,250,001)
Conditions still to be met - transferred to Current Liabilities (see Note N/A)	-	-

22.4.1.3 Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	202,124	-
Current year receipts	1,113,000	1,168,000
Conditions met - transferred to Revenue	(1,113,000)	(965,578)
Other Adjustments/Refunds	(202,124)	-
Conditions still to be met - transferred to Current Liabilities (see Note N/A)	-	202,124

22.4.3 SETA: Skills grant

Balance unspent at beginning of year	-	-
Current year receipts	73,704	100,150
Conditions met - transferred to Revenue	(73,704)	(100,150)
Conditions still to be met - transferred to Current Liabilities (see Note 16)	-	-

LQSETA: This grant has been used to fund training within the municipality. No funds have been withheld.

22.4.4 Provincial Government

Balance unspent at beginning of year	-	250,000
Current year receipts	5,909,686	1,129,958
Conditions met - transferred to Revenue	-	(250,000)
Conditions still to be met - transferred to Current Liabilities (see Note 16)	5,909,686	1,129,958

These grants were used for operation and maintenance of clean up amenities (KHOTSO PULA NALA) and HIV/AIDS awareness (AIDS Grant) from provincial government. An outstanding amount of R389 000 which was gazetted was not received from COGHSTA, which accounted as an accrued income for the 2018/19 financial year

22.4.5 Public Corporations

Balance unspent at beginning of year	-	40,000
Current year receipts	-	164,080
Conditions met - transferred to Revenue	-	(204,080)
Conditions still to be met - transferred to Current Assets (see Note)	-	-

These grants were used for special projects within units such as Tourism and LED

23 SALES OF GOODS AND RENDERING OF SERVICES

Other Revenue	74,620	285,736
Total Sales of Goods and Rendering of Services	74,620	285,736

24 RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue		
Other Fixed Assets	857,758	958,445
Other Rental Income		
Ad-hoc Rental Income from Other Fixed Assets	-	44,714
Total Rental of Facilities and Equipment	857,758	1,003,159

Rental income generated are at market related premiums, besides an agreement reached with the Provincial Legislature for the free use of the council chambers. All other rental income recognised is therefore market related.

25 INTEREST RECEIVED

External Investments:		
Bank Account	216,747	270,247
Other Deposits	6,511,945	5,560,042
Total Exchange Interest Earned	6,728,692	5,830,289
Total Interest, Dividends And Rent On Land Earned	6,728,692	5,830,289

25.1 Calculation of Cash Flow:

External Interest Income	6,728,692	5,830,289
Total Receipts for Interest Received	6,728,692	5,830,289

26 EMPLOYEE RELATED COSTS

Salaries and Wages		
Basic	41,073,854	40,232,404
Long Service Awards	(16,000)	291,000
Actual Long Service Awards Paid	169,000	230,000
Actuarial (Gain)/Loss on Long Service Awards for the year	(205,000)	61,000
Bonus	204,940	4,493
Leave Payments	1,382,003	736,152
Overtime	211,327	195,570

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Allowances		
Bonus	2,857,856	2,982,849
Cellular and Telephone	267,697	204,938
Housing Benefits	430,501	370,687
Scarcity Allowance	-	803,676
Travel or Motor Vehicle	3,204,046	3,651,989
Social Contributions		
Bargaining Council	14,358	13,588
Group Life Insurance	442,941	462,086
Medical	2,405,999	1,809,658
Pension	5,134,217	5,642,909
Unemployment Insurance	217,900	210,180
Post-retirement Benefit		
Current Service Cost	630,000	742,910
Interest Cost	2,221,000	2,344,000
Actuarial Gains and Losses	967,445	(2,781,644)
Total Employee Related Costs	61,650,082	57,917,444

26.1 Calculation of Cash Flow:

Employee Related Costs Expenditure		61,650,082	57,917,444
Opening Balance of Current Employee Benefit Liabilities	Note 14	2,124,000	2,441,000
Closing Balance of Current Employee Benefit Liabilities	Note 14	(2,307,000)	(2,124,000)
Opening Balance of Current Staff Benefit Provisions	Note 14	6,084,573	6,018,323
Closing Balance of Current Staff Benefit Provisions	Note 14	(6,721,165)	(6,084,573)
Opening Balance of Non-current Employee Benefit Liabilities	Note 18	28,380,898	29,586,899
Closing Balance of Non-current Employee Benefit Liabilities	Note 18	(30,895,963)	(28,380,898)
Opening Balance of Non-current Staff Benefit Provisions	Note 19	108,910	114,001
Closing Balance of Non-current Staff Benefit Provisions	Note 19	(108,000)	(108,910)
Total Payments for Employee Related Costs		58,316,335	59,379,384

No advances were made to employees.

Remuneration of Section 56 Employees:

Remuneration of the Municipal Manager - Ms ZM Bogatsu

Annual Remuneration	1,364,767	1,373,622
Bonus	-	99,369
Performance Bonus	113,970	130,920
Car and Other Allowances	113,954	764,860
Company Contributions to UIF, Medical and Pension Funds	1,881	232,523
Total	1,594,572	2,601,295

Remuneration of the Acting Director Financial Services - Ms. O Moseki

Annual Remuneration	466,488	302,423
Bonus	-	53,333
Performance Bonus	-	63,466
Car and Other Allowances	-	54,910
Company Contributions to UIF, Medical and Pension Funds	-	44,102
Total	466,488	518,233

Remuneration of the Executive Director Administration - Mrs. KG Gaborone

Annual Remuneration	1,060,287	1,466,821
Performance Bonus	90,970	-
Car and Other Allowances	123,238	110,500
Company Contributions to UIF, Medical and Pension Funds	1,881	-
Total	1,276,377	1,485,521

Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt

Annual Remuneration	-	268,178
Performance Bonus	-	63,466
Car and Other Allowances	-	105,225
Total	-	436,869

Remuneration of Acting Executive Director: Infrastructure Services - Mr D Makaleli

Annual Remuneration	162,632	147,100
Car and Other Allowances	-	46,460
Company Contributions to UIF, Medical and Pension Funds	-	32,452
Total	162,632	226,013

Remuneration of Acting Executive Director: Planning & Development - Mr F Netshivhodza

Annual Remuneration	417,193	245,621
Bonus	-	46,258
Car and Other Allowances	-	78,551
Company Contributions to UIF, Medical and Pension Funds	-	48,741
Total	417,193	419,171

Summary of Remuneration of Section 56 Employees:

All Managers	3,917,260	5,687,102
Total Remuneration of Section 56 Employees	3,917,260	5,687,102

The annual performance evaluation of the senior managers was not conducted due to delay in compilation of the evaluation committee. This is a non-compliance with section 27 of The Regulation of the Municipal Performance.

FRANCIS BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

27 REMUNERATION OF COUNCILLORS

Executive Mayor	910,530	868,290
Basic Salaries	859,470	638,209
Travel Allowances	-	18,387
Cellphone Allowances	51,060	37,400
Speaker	718,382	598,855
Basic Salaries	672,937	418,730
Sitting Allowances	-	3,060
Travel Allowances	-	139,572
Cellphone Allowances	43,445	34,453
Any Other Benefits	-	3,040
Mayoral committee members	3,241,772	2,973,690
Basic Salaries	2,399,328	2,257,183
Travel Allowances	634,505	538,907
Cellphone Allowances	207,940	163,200
Any Other Benefits	-	14,400
MPAC Chairperson	313,699	295,290
Basic Salaries	235,274	221,468
Travel Allowances	78,425	73,822
Total for All Other Councillors	1,517,335	1,830,601
Basic Salaries	975,142	1,212,967
Sitting Allowances	207,398	253,532
Travel Allowances	153,495	138,402
Cellphone Allowances	181,300	207,400
Any Other Benefits	-	18,300
Total Councillors' Remuneration	6,899,719	6,566,732

28 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	2,835,851	3,711,338
Amortisation: Intangible Assets	167,167	166,138
Total Depreciation and Amortisation	3,003,017	3,877,476

28.1 Depreciation: Property, Plant and Equipment

Community Assets	50,000	683,170
Computer Equipment	413,932	545,794
Furniture and Office Equipment	386,301	549,458
Machinery and Equipment	260,275	385,585
Transport Assets	1,094,669	1,547,330
	2,835,851	3,711,338

29 IMPAIRMENT LOSSES

Impairment Losses on Current Assets	-	88,121
Total Impairment Losses	-	88,121
29.1 Impairment Losses on Debtors		
Bad Debts Written Off	-	88,121
	-	88,121

The provision for bad debts remained unchanged in the 2018/19 financial year, as the same amount of R88 120.53 was outstanding for more than 120 days. The remaining debt of R1 031 740.30 which is older than 120 days consist of current debt being recovered from employees and government departments.

30 INTEREST PAID

Interest Paid	203,899	451,109
Borrowings	203,899	451,109
Total Interest Expense	203,899	451,109
Total Interest, Dividends and Rent on Land	203,899	451,109

30.1 Calculation of Cash Flow:

Finance Cost Expenditure	203,899	451,109
Total Payments for Finance Costs	203,899	451,109

31 CONTRACTED SERVICES

Outsourced Services	10,274,604	6,071,880
Consultants and Professional Services	2,613,785	1,879,052
Contractors	5,269,797	4,553,205
Total Contracted Services	18,158,186	12,504,137

31.1 Outsourced Services

Burial Services	7,700	3,600
Business and Advisory	8,083,266	4,892,705
Catering Services	361,195	314,477
Cleaning Services	407	18,084
Security Services	822,036	843,014
	10,274,604	6,071,880

31.2 Consultants and Professional Services

Business and Advisory	2,224,335	1,853,862
Infrastructure and Planning	389,928	-
Legal Cost	19,523	25,190
	2,613,785	1,879,052

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

31.3 Contractors		
Catering Services	40,480	28,912
Employee Wellness	281,776	230,866
Event Promoters	299,734	312,783
Exhibit Installations	274,258	236,954
Graphic Designers	97,965	54,520
Maintenance of Buildings and Facilities	640,650	322,988
Maintenance of Equipment	840,484	762,570
Maintenance of Computer Software	2,139,811	1,977,956
Sports and Recreation	293,700	238,100
Stage and Sound Crew	360,939	387,555
	<u>5,269,787</u>	<u>4,553,205</u>

31.4 Calculation of Cash Flow:

Expenditure for Inventory Consumed	Note 32	1,245,543	1,454,790
Expenditure for Contracted Services	Note 31	18,158,186	12,504,137
Opening Balance of Payables: Exchange Transactions	Note 15	4,852,934	11,391,177
Closing Balance of Payables: Exchange Transactions	Note 15	(6,939,317)	(4,852,934)
Opening Balance of Inventories	Note 2	(341,561)	(337,673)
Closing Balance of Inventories	Note 2	362,518	341,561
Total for Suppliers Paid		<u>17,338,304</u>	<u>20,501,058</u>

32 INVENTORY CONSUMED

Materials and Supplies	1,245,543	1,454,790
	<u>1,245,543</u>	<u>1,454,790</u>

33 TRANSFERS AND SUBSIDIES PAID

Capital Grants		10,269,390
Allocations In-kind	-	10,269,390
Operational Grants	7,305,733	14,526,419
Allocations In-kind	7,055,733	12,646,220
Monetary Allocations	250,000	1,880,199
Total Transfers and Subsidies Paid	<u>7,305,733</u>	<u>24,795,809</u>

33.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2019	2018	2019	2018
Local Municipalities	-	10,210,942	-	-
Non-profit Institutions	-	58,449	-	-
Total Capital Grants Paid	<u>-</u>	<u>10,269,390</u>	<u>-</u>	<u>-</u>

33.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2019	2018	2019	2018
Departmental Agencies and Accounts	-	-	-	182,537
Local Municipalities	6,537,173	12,301,329	250,000	1,439,357
Households	410,960	249,560	-	228,595
Non-profit Institutions	107,600	95,341	-	19,711
Total Operational Grants Paid	<u>7,055,733</u>	<u>12,646,220</u>	<u>250,000</u>	<u>1,880,199</u>

Allocations in kind made to local municipalities consist of assistance on operational repairs to infrastructure assets. Money is not transferred to local municipalities but paid directly to the suppliers or a refund is made to the municipalities on expenditure already incurred. The monetary allocation was made to Sol Plaatje Municipality for environmental health services they provided on behalf of the municipality.

The allocation in kind made to households consist of materials which the municipality bought during special projects which was provided to community members.

The allocation in kind made non-profit institutions consist of equipment given to schools during the tourism business competition held on a yearly basis.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

34 OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	1 038 565	998 491
Bank Charges, Facility and Card Fees	84 694	88 404
Bursaries (Employees)	185 924	158 460
Cleaning Services	9 740	9 560
Communication	39 822	32 842
Entertainment	142 090	274 619
External Audit Fees	2 009 224	1 928 678
External Computer Service	398 819	361 577
Honoraria (Voluntarily Workers)	7 200	-
Insurance Underwriting	527 030	341 074
Licences	23 024	20 092
Municipal Services	2 305 204	1 256 924
Printing, Publications and Books	95 164	86 654
Professional Bodies, Membership and Subscription	771 758	671 194
Registration Fees	141 491	194 556
Resettlement Cost	58 210	234 700
Skills Development Fund Levy	520 732	550 557
Toll Gate Fees	23 284	20 058
Transport Provided as Part of Departmental Activities	199 453	74 088
Travel and Subsistence	1 458 233	2 178 779
Uniform and Protective Clothing	44 210	48 633
Wet Fuel	909	992
Workmen's Compensation Fund	210 519	348 915
Total Operational Costs	10 273 300	9 658 848

34.1 Calculation of Cash Flow:

Expenditure for Operational Costs	Note 34	(10 273 300)	(9 858 848)
Expenditure for Transfers and Subsidies Paid	Note 33	(7 305 733)	(24 795 809)
Total for Other Payments		(17 579 033)	(34 654 655)

34.2 Travel and Subsistence

Domestic	1 458 233	2 178 779
Accommodation	800 543	1 218 448
Daily Allowance	120 861	144 221
Food and Beverage (Served)	76 446	100 796
Transport without Operator	292 528	363 575
Transport with Operator	167 856	351 741
	1 458 233	2 178 779

No other extra-ordinary expenses were incurred.

35 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	(67 294)	(29 393)
Total Gains / (Losses) on Disposal of Capital Assets	(67 294)	(29 393)
Total Gains and Losses	67 292	29 393

36 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	24 767 687	7 273 895
Adjustment for:		
Depreciation and Amortisation	3 003 017	3 877 476
Losses / (Gains) on Disposal of Property Plant and Equipment	67 292	29 393
Contribution to Post-retirement Employee Benefits	4 416 765	301 965
Expenditure incurred from Post-retirement Employee Benefits	-1 838 765	-1 862 965
Contribution to Long Service Awards Liability	458 000	493 000
Expenditure incurred from Long Service Awards Liability	-102 935	-455 101
Contribution to Provisions - Non-current	33 180	29 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Operating surplus before working capital changes

Decrease/(Increase) in Inventories	-20,958	-3,888
Decrease/(Increase) in Receivables from Exchange Transactions	-2,236,367	-378,691
Decrease/(Increase) in VAT Receivable	1,736,207	-300,486
Decrease/(Increase) in Operating Lease Receivables	3,147	1,225
Decrease/(Increase) in Current Portion of Long-term Receivables	-49,000	-
Increase/(Decrease) in Consumer Deposits	-225	-
Increase/(Decrease) in Payables from Exchange Transactions	2,133,432	-6,498,663
Increase/(Decrease) in Conditional Grants and Receipts	-114,348	-265,036
Cash generated by / (utilised in) Operations	32,459,069	2,241,124

37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
- As previously stated	-	-
- Correction of error	-	-
Unauthorised Expenditure	-	-
- Current Year	-	-
- Prior Year	-	-
Approved by Council or condoned	-	-
- Current Year	-	-
- Prior Year	-	-
To be recovered – contingent asset (see Note 59)	-	-
- Current Year	-	-
- Prior Year	-	-
Transfer to receivables for recovery (see Note 4)	-	-
- Current Year	-	-
- Prior Year	-	-
Unauthorised Expenditure awaiting authorisation	-	-

37.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1,207	1,207
- As previously stated	1,207	1,207
Fruitless and Wasteful Expenditure current year	5,323	188,179
- Current Year	5,323	188,179
Condoned or written off by Council	-	(188,179)
- Current Year	-	(188,179)
Transfer to receivables for recovery (see Note 4)	(5,323)	-
- Current Year	(5,323)	-
Fruitless and Wasteful Expenditure awaiting condonement	1,207	1,207

Incident	Disciplinary Steps / Criminal Proceedings	2019	2018
Independent Newspaper (PTY) LTD - R0 (2018: R10,306)	Written Off	-	10,306
Independent Newspaper (PTY) LTD - R0 (2018: R1,513)	Written Off	-	1,513
Nandos - R0 (2018: R407)	Written Off	-	407
KFC - R0 (2018: R179)	Written Off	-	179
Mr Choche - R0 (2018: R1,459)	Written Off	-	1,459
Tao Black Star Group PTY LTD - R0 (2018: R82,422)	Written Off	-	82,422
Rennies Travel - R0 (2018: R1,782)	Written Off	-	1,782
SAT Mr M Chonco - R0 (2018: R11,663)	Written Off	-	11,663
SAT Mr T Jood - R0 (2018: R3,645)	Written Off	-	3,645
SAT Mr P Mathebula - R0 (2018: R18,951)	Written Off	-	18,951
Rennies Travel - R0 (2018: R8,229)	Written Off	-	8,229
Rennies Travel - R0 (2018: R3,116)	Written Off	-	3,116
Rennies Travel - R0 (2018: R18,271)	Written Off	-	18,271
Rennies Travel - R0 (2018: R2,800)	Written Off	-	2,800
Managed Integrity Evaluation (PTY) LTD - R0 (2018: R1,886)	Written Off	-	1,886
Work Dynamics (PTY) LTD - R0 (2018: R21,862)	Written Off	-	21,862
Robbie Pienaar - R5,323 (2018: R0)	To be recovered	5,323	-
Rennies Travel - R0 (2018: R1,685)	Written Off	-	1,685
		5,323	188,179

37.3 Irregular Expenditure

Restated

Reconciliation of Irregular Expenditure:

Opening balance	3,551,500	2,936,309
- As previously stated	3,551,500	2,936,309
- Correction of error	-	-
Irregular Expenditure current year	5,901,376	3,876,500
- Current Year	5,901,376	3,681,910
- Prior Year	-	194,590
Condoned or written off by Council	(9,421,186)	(3,261,309)
- Current Year	(5,869,686)	(3,066,719)
- Prior Year	(3,551,500)	(194,590)
Irregular Expenditure awaiting condonement	31,690	3,551,500

Incident	Disciplinary Steps / Criminal Proceedings	2019	2018
Advertisement for construction of additional offices (Bd 07 / 16) - R5,869,686 (R3,533,938)	Written Off	5,869,686	3,533,938
SenTech - R0 (R17,562)	Written Off	-	17,562
MACRONYM - R0 (R150,000)	Written Off	-	150,000
MACRONYM - R0 (R175,000)	Written Off	-	175,000
Banking Services - R31,690 (R0)	Under Investigation. To be submitted to Council for condonement	31,690	-
		5,901,376	3,876,500

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA

Council Subscriptions	462,934	679,889
Amount Paid - current year	(682,934)	(679,889)
Balance Unpaid (Included in Creditors)	-	-

38.2 Audit Fees

Current year Audit Fee	1,929,678	1,929,239
Amount Paid - current year	(1,929,678)	(1,929,239)
Balance Unpaid (Included in Creditors)	-	-

38.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 4. All VAT returns have been submitted by the due date throughout the year.

38.4 PAYE, Skills Development Levy and UIF

Opening Balance	111,517	3,269
Current year Payroll Deductions	14,550,381	12,367,334
Amount Paid - current year	(14,655,871)	(12,259,086)
Balance Unpaid (Included in Creditors)	6,027	111,517

38.5 Pension and Medical Aid Deductions

Opening Balance	(2)	-
Current year Payroll Deductions and Council Contributions	14,841,511	9,356,677
Amount Paid - current year	(14,841,509)	(9,356,679)
Balance Unpaid (Included in Creditors)	-	(2)

38.6 Non-Compliance with the Municipal Finance Management Act

Interest charged on outstanding debtors - (MFMA 64 (2)(g))

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality does not charge interest on long outstanding debtors, as the municipality does not deliver basic services. Amendment was made to the policy for the 2017/18 financial year

Revenue not disclosed per source in the SDBIP - (MFMA 1)

In terms of section 1 of the MFMA the municipality must project for each month revenue to be collected, by source. The SDBIP of the municipality discloses the revenue to be collected by vote and not by source. Amendment was made to the 2017/18 SDBIP to disclose revenue by source.

38.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council

30 June 2019

Supplier	Service	Amount
WOLTERS KLUWER	Annual renewal of TeamMate software and license with installation of TeamTec Software	53,320
COASTAL HIRE	Repairs and service of a septic tank to extract sewerage from the main hole	7,125
ESRI SOUTH AFRICA	Esri software maintenance	45,575
SIYAYANA CATERING	Catering for HIV/AIDS awareness programme	45,000
LILINTLE TRANSPORT SUPPLIER	Transportation for HIV/AIDS awareness programme	53,500
ERNEST NOMBULELO GENERAL TRADING	Sound equipment hire for HIV/AIDS awareness programme	30,000
SETLOGELO TRANSPORT AND GENERAL TRADING	Transportation for HIV/AIDS awareness programme	40,799
S & F EMPLOYMENT SERVICES	Catering for HIV/AIDS awareness with LGBTI community	68,310
Total:		343,629

30 June 2018

Supplier	Service	Amount
BCX	Treasury Reporting Utility Training	30,780
KIM-ROADS CC	Assistance with water tanks	28,728
ESRI SOUTH AFRICA	Esri software maintenance	47,994
EOH COMPANY	Workabout Pro G4 (Asset Handheld Scanner and Alluminium Asset Labels)	37,967
Total:		145,469

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

39 COMMITMENTS FOR EXPENDITURE

39.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Land and Buildings
Infrastructure

830,705	5,534,384
830,705	4,033,723
-	1,500,661

This expenditure will be financed from:
Capital Replacement Reserve

830,705	5,534,384
<u>830,705</u>	<u>5,534,384</u>

40 FINANCIAL INSTRUMENTS

40.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104 13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Employee Benefits	Amortised cost	7,593,000	7,560,000
Receivables from Exchange Transactions			
Other Service Charges	Amortised cost	1,872,382	862,247
Prepayments and Advances	Amortised cost	1,069,031	671,014
Control, Clearing and Interface Accounts	Amortised cost	1,161,322	333,108
Investments	Amortised cost	-	6,050,000
Cash and Cash Equivalents			
Call Deposits	Amortised cost	66,501,000	51,001,000
Short-term Portion of Investments	Amortised cost	8,700,000	-
Bank Balances	Amortised cost	5,062,862	67,505
Cash Floats and Advances	Fair value	3,300	3,300
Current Portion of Long-term Receivables			
Employee Benefits	Amortised cost	868,000	819,000
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Employee Benefits	7,593,000	7,560,000
Receivables from Exchange Transactions	Other Service Charges	1,872,382	862,247
Receivables from Exchange Transactions	Prepayments and Advances	1,069,031	671,014
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	1,161,322	333,108
Current Portion of Long-term Receivables	Employee Benefits	868,000	819,000
Investments	Investments	6,700,000	6,050,000
Cash and Cash Equivalents	Call Deposits	66,501,000	51,001,000
Cash and Cash Equivalents	Bank Balances	5,062,862	67,505
		<u>90,827,597</u>	<u>67,363,673</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3,300	3,300
		<u>3,300</u>	<u>3,300</u>
Total Financial Assets		<u><u>90,830,897</u></u>	<u><u>67,367,173</u></u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104 13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Payables from Exchange Transactions			
Advance Payments	Amortised cost	(36)	20,210
Bonus	Amortised cost	1,743,240	1,696,191
Other Payables	Amortised cost	29,179	27,109
Retentions	Amortised cost	336,603	336,603
Unspent conditional grants	Amortised cost	92,314	206,662
Trade Creditors	Amortised cost	6,573,570	4,469,012
Current Portion of Long-term Liabilities			
Development Bank of South Africa	Amortised cost	-	2,455,416
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Payables from Exchange Transactions	Advance Payments	(36)	20,210
Payables from Exchange Transactions	Bonus	1,743,240	1,696,191
Payables from Exchange Transactions	Leave Accrual	-	-
Payables from Exchange Transactions	Other Payables	29,179	27,109
Payables from Exchange Transactions	Retentions	336,603	336,603
Payables from Exchange Transactions	Unspent conditional grants	92,314	206,662
Payables from Exchange Transactions	Trade Creditors	6,573,570	4,469,012
Current Portion of Long-term Liabilities	Development Bank of South Africa	-	2,455,416
		<u>8,774,871</u>	<u>9,211,203</u>
Total Financial Liabilities		<u><u>8,774,871</u></u>	<u><u>9,211,203</u></u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2019 as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2019		30 June 2018	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	90,827,597	90,827,597	67,363,873	67,363,873
Long-term Receivables	7,593,000	7,593,000	7,560,000	7,560,000
Receivables from Exchange Transactions	4,102,735	4,102,735	1,866,368	1,866,368
Current Portion of Long-term Receivables	868,000	868,000	819,000	819,000
Cash Deposits	66,501,000	66,501,000	51,001,000	51,001,000
Investments	6,700,000	6,700,000	6,050,000	6,050,000
Bank Balances	5,062,862	5,062,862	67,505	67,505
Measured at Fair Value	3,300	3,300	3,300	3,300
Cash and Cash Equivalents	3,300	3,300	3,300	3,300
Total Financial Assets	90,830,897	90,830,897	67,367,173	67,367,173
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	8,774,871	8,774,871	9,211,203	9,211,203
- Payables from Exchange Transactions	8,774,871	8,774,871	6,755,788	6,755,788
- Current Portion of Long-term Liabilities	-	-	2,455,416	2,455,416
Total Financial Liabilities	8,774,871	8,774,871	9,211,203	9,211,203
Total Financial Instruments	82,056,025	82,056,025	58,155,969	58,155,969
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2019

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3,300	-	3,300
Total Financial Assets	-	3,300	-	3,300
Total Financial Instruments	-	3,300	-	3,300

30 June 2018

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3,300	-	3,300
Total Financial Assets	-	3,300	-	3,300
Total Financial Instruments	-	3,300	-	3,300

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

	2019 R	2018 R
The gearing ratio at the year-end was as follows.		
Debt	-	2 455 416
Cash and Cash Equivalents	(7 596 300)	(7 563 300)
Net Debt	<u>(7 596 300)</u>	<u>(5 107 884)</u>
Equity	<u>100 553 146</u>	<u>75 785 460</u>
Net debt to equity ratio	<u>-7.55%</u>	<u>-6.74%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

40.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

40.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows.

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 40.9 to the Annual Financial Statements.

40.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 40.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

40.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

40.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 40.8 below.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2019 would have increased / decreased by R613,162 (30 June 2018: R505,837). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

40.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2019		30 June 2018	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Terra Clay (Pty) Ltd	-	3,746,717	-	-
Department of Education, Arts and Culture	-	2,695,629	-	2,537,699
NTK Beleggings & Ontwikkeling	-	2,162,771	-	-
Government of the Republic of South Africa	-	1,743,722	-	1,487,792
Republiek van Suid-Afrika	-	1,530,382	-	1,291,233
Midway Bricks (Pty) Ltd	-	-	-	3,094,127
Northern Province Academy of Sport	-	-	-	1,324,294

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	8,461,000	8,379,000
Receivables from Exchange Transactions	4,190,855	1,954,488
Investments	8,700,000	-
Bank, Cash and Cash Equivalents	71,567,162	51,071,805
Maximum Credit and Interest Risk Exposure	90,919,017	61,405,293

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables		
Roads – Post Retirement Medical Aid	8,461,000	8,379,000
Total Long-term Receivables	8,461,000	8,379,000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 FINANCIAL INSTRUMENTS (Continued)

40.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2019								
Non-interest Bearing		0.00%	8,774,871	8,774,871	-	-	-	-
- Payables from Exchange transactions			8,774,871	8,774,871	-	-	-	-
			8,774,871	8,774,871	-	-	-	-
30 June 2018								
Non-interest Bearing		0.00%	6,755,788	6,755,788	-	-	-	-
- Payables from Exchange transactions			6,549,125	6,549,125	-	-	-	-
- Unspent grants			206,662	206,662	-	-	-	-
Fixed Interest Rate Instruments		10.90%	2,455,416	2,455,416	-	-	-	-
- Current Portion of Long-term Liabilities			2,455,416	2,455,416	-	-	-	-
			9,211,203	9,211,203	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2019								
Non-interest Bearing		0.00%	12,567,035	8,770,535	3,796,500	-	-	-
- Long-term Receivables			7,593,000	3,796,500	3,796,500	-	-	-
- Trade Receivables from Exchange Transactions			4,102,735	4,102,735	-	-	-	-
- Cash and Cash Equivalents			3,300	3,300	-	-	-	-
- Current Portion of Long Term Receivables			868,000	868,000	-	-	-	-
Variable Interest Rate Instruments		10.97%	71,563,862	71,563,862	-	-	-	-
- Call Deposits			66,501,000	66,501,000	-	-	-	-
- Bank Account			5,062,862	5,062,862	-	-	-	-
Fixed Interest Rate Instruments		8.65%	6,700,000	-	6,700,000	-	-	-
- Fixed Deposits			6,700,000	-	6,700,000	-	-	-
			90,630,897	80,334,397	10,496,500	-	-	-
30 June 2018								
Non-interest Bearing		0.00%	10,248,668	10,248,668	-	-	-	-
- Long-term Receivables			7,560,000	7,560,000	-	-	-	-
- Trade Receivables from Exchange Transactions			1,866,368	1,866,368	-	-	-	-
- Cash and Cash Equivalents			3,300	3,300	-	-	-	-
- Current Portion of Long Term Receivables			819,000	819,000	-	-	-	-
Variable Interest Rate Instruments		11.53%	51,068,505	51,068,505	-	-	-	-
- Call Deposits			51,001,000	51,001,000	-	-	-	-
- Bank Account			67,505	67,505	-	-	-	-
Fixed Interest Rate Instruments		8.65%	6,050,000	-	6,050,000	-	-	-
- Fixed Deposits			6,050,000	-	6,050,000	-	-	-
			67,367,173	61,317,173	6,050,000	-	-	-

FRANCIS BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019	2018
R	R

41 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1,838,765 (2018: R1,862,965) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

DEFINED CONTRIBUTION SCHEMES

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R23 318 184, R70 111 and R651 455 (30 June 2017: R21 359,334 in total) million, with funding levels of 100.4%, 100% and 128% (2017: 100.3%, 100% and 127.3%) for the Share Account, Preservation Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99.5% (30 June 2009: 102.0%). The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6,4 (2009: surplus R22,5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10,3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

None of the above mentioned plans are State Plans.

42 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

42.1 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

42.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by Francis Baard District Municipality, during the financial year under review.

42.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 26 and 27, to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018
R

42.4 Purchases from Related Parties

No transactions were entered into with businesses in which councillors, management and/or those charged with governance have an interest for the 2018/19 financial year.

43 CONTINGENT LIABILITIES

The municipality was not engaged in any transaction or event during the year under review involving Contingent Liabilities.

44 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

45 IN-KIND DONATIONS AND ASSISTANCE

Mr. G Botha served on the audit committee for the 2018/19 financial year, he is a government employee and therefore is not entitled to receive any compensation for duties performed as a member of the audit committee.

46 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

47 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2019.

48 GOING CONCERN ASSESSMENT

The municipality's cash flow forecast for the year to 30 June 2019 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2019 was taken into consideration during the review.

APPENDIX A
FRANCES BAARD DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2018	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2019
	R				R	R	R	R
GOVERNMENT LOANS	15,000,000	10.9%	25869	30-Jun-19	2,455,416	-	2,455,416	-
Total Government Loans	15,000,000				2,455,416	-	2,455,416	-
OTHER LOANS								
Total Other Loans	-				-	-	-	-
TOTAL EXTERNAL LOANS	15,000,000				2,455,416	-	2,455,416	-

ANNUITY LOANS:

DBSA:

A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009. The remaining balance on the loan has been transferred to payables.

APPENDIX B

FRANCES BAARD DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual Income	2018 Budgeted Income	2018 Actual Expenditure	2018 Budgeted Expenditure	2018 Surplus/ (Deficit)	Description	2019 Actual Income	2019 Budgeted Income	2019 Actual Expenditure	2019 Budgeted Expenditure	2019 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
111,605,334	-	26,588,005	32,848,980	(26,588,005)	Municipal Governance and Administration	477,610	500,000	25,672,944	30,854,870	(25,195,334)
-	111,288,260	33,049,854	39,183,094	78,555,480	Executive and Council	124,177,072	123,979,000	38,408,189	43,145,850	85,768,983
-	-	10,210	51,680	(10,210)	Finance and Administration	-	-	-	-	-
-	-	-	-	-	Internal Audit	-	-	-	-	-
345,462	-	-	-	-	Community and Public Safety	-	-	-	-	-
-	368,000	5,883,625	7,946,630	(5,538,163)	Community and Social Services	389,000	-	6,099,469	7,936,110	(5,710,469)
-	-	-	-	-	Public Safety	-	-	-	-	-
-	800,000	4,636,411	6,820,800	(4,636,411)	Sport and Recreation	-	-	2,780,645	3,725,980	(2,780,645)
-	-	-	-	-	Housing	-	-	-	-	-
-	-	-	-	-	Health	-	-	-	-	-
12,662,876	-	3,998,882	6,501,110	(3,998,882)	Economic and Environmental Services	8,330,776	8,618,860	4,140,080	5,980,300	(4,140,080)
-	13,052,000	39,616,252	50,123,556	(26,953,376)	Environmental Protection	-	-	28,145,279	36,183,230	(19,814,504)
-	-	-	-	-	Planning and Development	-	-	-	-	-
-	-	-	-	-	Road Transport	-	-	-	-	-
-	-	-	-	-	Trading Services	-	-	-	-	-
-	-	-	-	-	Energy Sources	-	-	-	-	-
-	-	-	-	-	Waste Management	-	-	-	-	-
-	-	-	-	-	Waste Water Management	-	-	-	-	-
204,080	307,820	3,731,224	5,181,500	(3,527,144)	Water Management	-	-	3,292,873	5,299,720	(3,292,873)
-	-	-	-	-	Other	-	-	-	-	-
124,817,752	125,816,080	117,514,464	148,657,350	7,303,288	Sub-Total	133,374,458	133,097,860	108,539,479	133,126,060	24,834,979
-	(2,029,330)	29,393	250,000	(29,393)	Gains and Losses	-	-	67,294	300,000	(67,294)
124,817,752	123,786,750	117,543,857	148,907,350	7,273,895	Total	133,374,458	133,097,860	108,606,773	133,426,060	24,767,684

APPENDIX C
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

Year Ended 30 June 2019

Description	Executive and Council	Finance and Administration	Public Safety	Housing	Environmental Protection	Planning and Development	Road Transport	Other	Total for Municipality
REVENUE	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions	477,610	117,282,704	389,000	-	-	7,564,076	-	-	125,713,389
Transfers and Subsidies	-	-	-	-	-	-	-	-	-
Revenue from Exchange Transactions	-	74,620	-	-	-	-	-	-	74,620
Sales of Goods and Rendering of Services	-	91,056	-	-	-	766,700	-	-	857,756
Rental from Fixed Assets	-	6,728,692	-	-	-	-	-	-	6,728,692
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	-	-
Total Revenue	477,610	124,177,072	389,000	-	-	8,330,776	-	-	133,374,458
EXPENDITURE									
Employee Related Costs	13,677,483	25,672,069	4,061,584	2,570,465	3,089,131	10,780,177	-	1,799,174	61,650,082
Remuneration of Councillors	6,699,719	-	-	-	-	-	-	-	6,699,719
Depreciation and Amortisation	207,141	2,251,969	286,216	20,854	44,671	159,283	-	32,882	3,003,017
- Total Losses, Including PPE	4,457	52,639	3,609	-	510	5,123	-	956	67,294
- Bad Debts Written Off	-	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land	-	203,899	-	-	-	-	-	-	203,899
Contracted Services	1,860,193	4,388,800	1,040,523	-	370,927	9,796,978	-	700,766	18,158,186
Inventory Consumed	284,614	749,628	13,140	15,183	2,621	167,243	-	13,114	1,245,543
Transfers and Subsidies Paid	-	-	410,960	-	258,563	6,528,610	-	107,600	7,305,733
Operational Costs	2,725,218	6,046,520	137,113	54,444	146,254	576,433	-	587,318	10,273,300
Loss on Disposal of Property, Plant and Equipment	4,457	52,639	3,609	-	510	5,123	-	956	67,294
Total Expenditure	25,458,825	39,385,524	5,953,146	2,660,945	3,912,678	28,013,847	-	3,241,809	108,606,773
Surplus/(Deficit) for the Year	(24,981,215)	84,811,548	(5,564,146)	(2,660,945)	(3,912,678)	(19,683,071)	-	(3,241,808.59)	24,767,684

APPENDIX C
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

Year Ended 30 June 2018

Description	Executive and Council	Finance and Administration	Public Safety	Housing	Environmental Protection	Planning and Development	Road Transport	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
REVENUE									
Revenue from Non-exchange Transactions	-	105,399,150	345,462	-	-	11,749,876	-	204,080	117,698,568
Transfers and Subsidies	-	-	-	-	-	-	-	-	-
Revenue from Exchange Transactions									
Sales of Goods and Rendering of Services	-	285,736	-	-	-	-	-	-	285,736
Rental from Fixed Assets	-	90,158	-	-	-	913,000	-	-	1,003,158
Interest, Dividends and Rent on Land Earned	-	5,830,289	-	-	-	-	-	-	5,830,289
Total Revenue	-	111,605,334	345,462	-	-	12,662,876	-	204,080	124,817,752
EXPENDITURE									
Employee Related Costs	14,377,034	20,756,945	3,662,596	3,722,461	2,926,529	10,967,582	-	1,494,086	57,917,444
Remuneration of Councillors	6,566,732	-	-	-	-	-	-	-	6,566,732
Depreciation and Amortisation	200,949	2,777,095	503,234	30,600	14,993	315,029	-	35,576	3,877,476
Impairment Losses	88,121	-	-	-	-	-	-	-	88,121
- Total Losses, Including PPE	587	26,910	190	1,586	-	120	-	-	29,393
- Bad Debts Written Off	88,121	-	-	-	-	-	-	-	88,121
Interest, Dividends and Rent on Land	-	451,109	-	-	-	-	-	-	451,109
Contracted Services	1,330,327	3,495,396	1,107,964	597,573	227,416	4,471,909	-	1,273,552	12,504,137
Inventory Consumed	331,758	707,699	14,257	25,240	15,813	343,703	-	16,319	1,454,790
Transfers and Subsidies Paid	228,595	676,199	249,550	-	523,799	22,488,471	-	629,195	24,795,809
Operational Costs	3,165,646	5,189,523	152,468	167,264	106,495	855,034	-	222,416	9,858,846
Loss on Disposal of Property, Plant and Equipment	587	26,910	190	1,586	-	120	-	-	29,393
Total Expenditure	26,289,748	34,080,877	5,690,259	4,544,725	3,815,046	39,441,848	-	3,671,144	117,543,857
Surplus/(Deficit) for the Year	(26,289,748)	77,524,458	(5,344,797)	(4,544,725)	(3,815,046)	(26,778,972)	-	(3,467,064.49)	7,273,895